Scheme for Clearance of Bad Loans

1011. SHRI SANTOSH BAGRODIA:
SHRI KHAGEN DAS:

Will the Minister of FINANCE be pleased to state:

(a) whether the Ministry of Finance has announced a scheme recently to clear bad loans of banks;

(b) whether R.B.I. has been asked to draw up non-discriminatory and non-discretionary guidelines for the scheme; and

(c) if so, the details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL): (a) to (c) Pursuant to a decision taken in the meeting with chief Executive officers of public sector banks, under the aegis of Indian Bank Association (IBA), the Reserve Bank of India (RBI) has issued guidelines to tackle the problem of stock of old non-performing assets in public sector banks. The revised guidelines cover all NPAs in all sectors irrespective the nature of business, which have become doubtful or loss assets as on 31.3.1997 and also NPAs classified as sub-standard as on March 31, 1997 and which have become doubtful or loss subsequently. The guidelines will be non-discretionary and non-discriminatory. It has been decided to peg the cut-off limit at Rs. 5 crore. Recovery in the NPA accounts over Rs. 5 crore will have to be personally monitored and followed up by the CEO in accordance with the policy laid down by the Board of Directors. Where the Board of a bank comes to conclusion that a rehabilitation scheme is not possible, recovery suits should be filed without further loss of time. These guidelines are to remain operative upto 31.3.2001.